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in effect. It has two defects: The roads are taxed relatively less than other property; and the distribution is unfair to terminal cities which must protect the property of the companies and yet can collect only insignificant amounts in taxes on the mileage apportionment basis. On the other hand, one out of every five of the taxing districts in the state, chiefly rural townships, receives enough from the railroads to offset its state tax.

In the final chapter on general conclusions the author accepts the theoretical soundness of the general property tax by saying that it is no better, and no worse, than the administrative machinery with which it is assessed, levied, and collected (p. 174). Radical changes, such as the abandonment of the tax on mortgages, are to be avoided. And the *sine qua non* of real progress is fiscal centralization which is to be accomplished through county assessment and a permanent state tax commission. In short, the governmental machinery is more in need of reform than are the different taxes now employed.

F. B. GARVER

THE UNIVERSITY OF CHICAGO

Banking Reform in the United States. By O. W. M. SPRAGUE. Cambridge: Harvard University, 1911. 8vo, pp. 176. \$1.00.

The four chapters of this book are reprints of the same number of articles from the *Quarterly Journal of Economics* for May, 1909, and February, August, and November, 1910. Of these only the first has undergone any considerable revision.

The first chapter presents a suggestive contrast of banking conditions and methods in the United States with those in European countries, the author contending that the notoriously decentralized system of this country precludes the successful adoption of a financial institution which, like the central banks of Europe, would attempt to exercise control by virtue of an enormous lending power.

In the second chapter Professor Sprague advances a number of proposals looking to a strengthening of the existing banks. These include the segregation of true savings deposits, which may be invested in mortgage loans; a modification of the present reserve policy; and the provision that the issue of clearing-house certificates should be conditional upon the equalization of reserves.

Passing, in the third chapter, to a consideration of note issues, the author emphasizes the "harmlessness of bond-secured notes," and attributes their inelasticity to the practice of paying interest on bankers' deposits. Potential dangers, however, make a change desirable, and as the author says, "It would be no small gain to have severed the entangling alliance between government bonds and currency." Professor Sprague suggests two reforms: the authorization of an asset currency of limited volume, and a simple, but what he believes would prove an effective, modification of the method of paying interest on bankers' deposits.

In his concluding chapter the author has outlined a plan for a central bank of limited scope. The proposed institution would partake very largely of the nature of a central clearing-house, with power to make advances to banks whose reserves have been depleted. The author also suggests that it should

inaugurate a modified *Giro-Verkehr* system, restricted at first to transfer among the banks themselves.

Professor Sprague's point of view is, at the same time, eclectic and conservative. He sees a modicum of advantage in each of the suggestions that have been advanced for reform of the national banking system, yet he is suspicious of any radical change. He admits that the system is seriously handicapped by the absence of branch banks, yet branch banking has no part in his proposals. "We seem to have made a sort of fetish of the legal percentage of reserve. . . ," but he considers a legal percentage necessary. Rather than incur any risk from the adoption of a radical reform, the author prefers to add more patches to the proposed system. Although his readers may differ as to the effectiveness of his prescriptions, they must agree that Professor Sprague has made a most suggestive diagnosis of the weaknesses of the national banking system.

S. ROY WEAVER

THE UNIVERSITY OF CHICAGO

Corporation Finance. By EDWARD S. MEADE. New York: D. Appleton & Co., 1910. 8vo, pp. x+468.

In his *Corporation Finance* the author of *Trust Finance* has added to his reputation for wide and intimate knowledge of the internal workings of the modern business corporation. Portions of the former work have been reprinted here, but the new book is much more comprehensive in scope. Dealing as it does with problems which confront the manager of a small company as well as the officers of the great trusts, it is a book of greater usefulness.

The method employed is that of suggestion with reliance upon numerous illustrations rather than the dogmatic statement of rules and principles. The information set forth is equally valuable to the investor and the company official, since the dangers of ignorance and carelessness in financial management are significant for both. An interesting passage on the ethics of margin speculation and the psychological element which distinguishes this from the cruder forms of gambling follows (p. 152): "It is so much like 'business,' so much apparently depends on the judgment of the buyer and so little on the turn of the wheel or the chance of the draw. The speculator's pulses quicken and slow with the good or bad fortune of the nation. He is interested in the crops, in the railroad earnings, in national elections, and in foreign wars. His profits depend apparently upon his own judgment. He is as confident of winning as the gambler with a 'system' is confident of breaking the bank. Moreover, speculation is respectable. It is not by all persons considered reputable to play the races; but it is not often that one loses caste by playing the stock market. Every class of the population is represented among the margin speculators. Business men and professional men are found in the better offices; clerks, teachers, ministers, and women frequent the intermediate grades and the bucket shops."

Corporation Finance is designed for a college textbook. The author, therefore, is addressing a scientific clientèle rather than stockholders or officials. Moreover, he is endeavoring to organize and classify material in a comparatively